

**WAVERLY-SHELL ROCK
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2010

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WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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Board of Education

(Before September 2009 Election)

Cheryl Elsbury-Reiher	President	2009
David Sage		2011
John Englin		2011
Nancy Luebbers		2009
Dennis Epley		2011

(After September 2009 Election)

Cheryl Elsbury-Reiher	President	2013
David Sage	Vice President	2011
John Englin		2011
Nancy Luebbers		2013
Dennis Epley		2011

School Officials

Jere Vyverberg	Superintendent
Dennis Stufflebeam	District Secretary
Linda Hildreth	District Treasurer

BRUCE D. FRINK

Certified Public Accountant

Independent Auditor's Report

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Bank Loan Assistance

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

To the Board of Education of
Waverly-Shell Rock Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund of Waverly-Shell Rock Community School District, Waverly, Iowa as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities and each major fund of Waverly-Shell Rock Community School District at June 30, 2010 and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 26, 2010 on our consideration of Waverly-Shell Rock Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 12 and 36 through 38 are not required parts of the financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Waverly-Shell Rock Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the six years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplemental information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bruce D. Frink

Bruce D. Frink
Certified Public Accountant

March 26, 2010

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

Waverly-Shell Rock Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- Waverly-Shell Rock Community School District is building a new 5-8 middle school due to the flood of June 2008 totally ruining Washington Irving School (grades 5 & 6). Prior to the flood, it was anticipated the school would build a new 7th and 8th grade building because the 7th and 8th grade building is the oldest school building in the district; it was built in 1926.
- The District had revenues of \$17,626,729 and \$18,659,626 was spent during the fiscal year. The District's financial solvency ratio as of June 30, 2010 was -9.6%. The financial solvency ratio as of June 30, 2009 was -4.1%.
- The District experienced a decrease in certified enrollment. The October 2008 enrollment was 1916.4, while the October 1, 2009 enrollment was 1894.68.
- The number of net open-enrolled students increased from 53 in fiscal year 2009 to 69 in fiscal year 2010.
- The District's alternative high school is continuing to become a regional alternative high school with a growing number of students from other districts enrolling in the program. This is having a positive financial impact on the District. The District took in over \$48,124 in tuition from neighboring districts that sent students to Waverly-Shell Rock's alternative high school.
- The District continued to share a physical education teacher and a guidance counselor with the Janesville Consolidated School District. This has allowed for some cost savings.
- The State of Iowa deducted a total of \$67,656 from the State Foundation Aid payments to the District to help support the state's juvenile homes during fiscal year 2009. The State of Iowa had deducted \$45,134 during the 2009 fiscal year. The state also did an across the board cut, which took \$1,800,000 from the District's budget.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Waverly-Shell Rock Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Waverly-Shell Rock Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Waverly-Shell Rock Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year as well as presenting the Schedule of Funding Progress from the Retiree Health Plan.

Other Supplementary Information provides detailed information about the Student Activity and fiduciary funds as well as a multiyear comparison of revenues and expenditures. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Waverly-Shell Rock Community School District Annual Financial Report

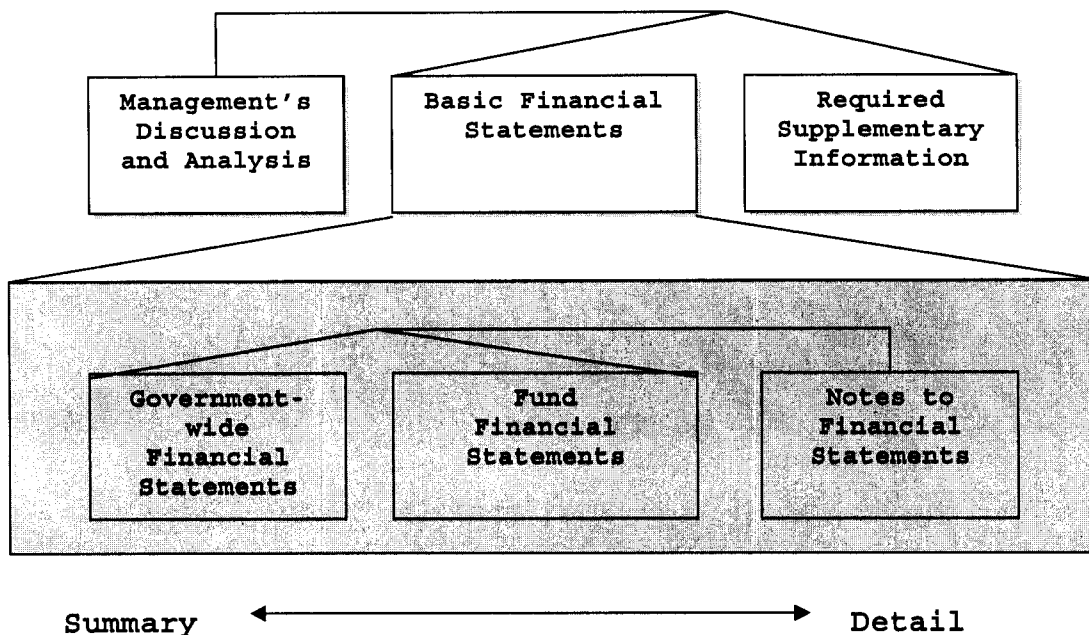


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2

Major Features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Fund	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and internal services	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long- term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. The District has elected to present all funds as "major" funds for clarity of presentation.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds, Debt Service Fund and the Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The Internal Service Fund is used only to collect, hold and pay out money for the District's employee group health insurance plan. Revenues come from the Board of Education's allocation of funds for the health insurance employee benefit, payroll deductions from employee's checks and checks brought in by retiree's that continue to stay on the plan.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses, changes in net assets and a statement of cash flows.

3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust Funds and Agency Funds.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Funds - These are funds through which the District administers and account for certain federal and/or state grants on behalf of other District's and certain revenue collected for District employee purchases of pop and related expenditures.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2010 compared to the year ended June 30, 2009.

Figure A-3
Condensed Statement of Net Assets
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-2010
Current assets	\$ 23,798	11,558	32	134	23,830	11,692	103.81%
Capital assets	22,019	14,353	29	35	22,048	14,388	34.74%
Total assets	45,817	25,911	61	169	45,878	26,080	43.15%
Current liabilities	10,394	8,787	44	12	10,438	8,799	15.70%
Non-current liabilities	21,145	6,123	-	-	21,145	6,123	71.04%
Total liabilities	31,539	14,910	44	12	31,583	14,922	111.65%
Net Assets							
Invested in capital assets, net of related debt	1,239	8,748	29	35	1,268	8,783	-592.67%
Restricted	14,208	2,670	-	-	14,208	2,670	532.13%
Unrestricted	(1,169)	(417)	(12)	122	(1,181)	(295)	-400.34%
Total net assets	\$ 14,278	11,001	17	157	14,295	11,158	28.11%

The District's combined net assets increased 28% over the prior year. The largest portion of the District's net assets is capital assets and construction projects not yet completed.

Invested in capital assets (cost of land, buildings and equipment less related debt) decreased primarily due to additional debt being issued, but related construction costs not yet being incurred.

Restricted net assets represent resources subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased over the prior year due to increase in capital projects fund.

Unrestricted net assets - the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenant, enabling legislation or other legal requirements decreased 400%. This decrease in unrestricted net assets was primarily a result of the District's decrease in the General Fund.

The capital assets and restricted funds amounts will change greatly in fiscal year 2011 as the new school building is completed. Funds in the Capital Projects Fund will be shifted to capital assets.

Figure A-4 show the changes in net assets for the year ended June 30, 2010 compared to the year ended June 30, 2009.

Figure A-4 Changes in Net Assets (Expressed in Thousands)							
Governmental Activities		Business Type Activities		Total School District		Total Change	
2010	2009	2010	2009	2010	2009	2009-2010	
Revenues:							
Program revenues:							
Charges for service and sales	\$ 1,156	1,237	604	715	1,760	1,952	-9.84%
Operating grants, contributions and interest	4,808	3,334	313	292	5,121	3,626	41.23%
Capital grants, contributions and interest	3,161	118	-	-	3,161	118	2578.81%
General revenues:							
Property tax	5,989	5,860	-	-	5,989	5,860	2.20%
Income surtax	720	753	-	-	720	753	-4.38%
Statewide sales, services and use tax	1,132	1,113	-	-	1,132	1,113	1.71%
Unrestricted state grants	6,357	7,320	-	-	6,357	7,320	-13.16%
Unrestricted investment earnings	7	20	-	-	7	20	-65.00%
Other	257	2,500	-	-	257	2,500	-89.72%
Total revenues	<u>23,587</u>	<u>22,255</u>	<u>917</u>	<u>1,007</u>	<u>24,504</u>	<u>23,262</u>	<u>5.34%</u>
Program expenses:							
Governmental activities:							
Instruction	13,576	14,006	-	-	13,576	14,006	-3.07%
Support services	4,772	6,663	-	-	4,772	6,663	-28.38%
Non-instructional programs	-	-	1,058	1,062	1,058	1,062	-0.38%
Other expenses	1,964	1,402	-	-	1,964	1,402	40.09%
Total expenses	<u>20,312</u>	<u>22,071</u>	<u>1,058</u>	<u>1,062</u>	<u>21,370</u>	<u>23,133</u>	<u>-7.62%</u>
Change in net assets	<u>\$ 3,275</u>	<u>184</u>	<u>(141)</u>	<u>(55)</u>	<u>3,134</u>	<u>129</u>	<u>2329.46%</u>

Property tax and unrestricted state grants account for 50% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 86% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$23,588,385 and expenses were \$20,311,583 for the year ended June 30, 2010. Revenues from governmental activities were \$3,276,802 greater than the expenditures for governmental activities.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services and other expenditures, for the year ending June 30, 2010 compared to the year ended June 30, 2009.

Figure A-5 Total and Net Cost of Governmental Activities (Expressed in Thousands)						
Total Cost of Services			Net Cost of Services			
		Change			Change	
2010	2009	2009-2010	2010	2009	2009-2010	
Instruction	\$ 13,576	14,006	-3.07%	8,649	10,310	-16.11%
Support services	4,772	6,663	-28.38%	4,570	6,478	-29.45%
Other expenses	1,964	1,402	40.09%	(2,032)	594	-442.09%
Totals	\$ 20,312	22,071	-7.97%	11,187	17,382	-35.64%

For the year ended June 30, 2010:

- The cost financed by users of the District's programs was \$1,155,684.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$2,726,037.
- The net cost of governmental activities was financed with \$5,990,916 in property tax, \$6,357,634 in state foundation aid and \$6,537 in interest income.

Business Activities

Revenues for the District's School Nutrition Fund were \$917,544 and expenses were \$1,058,263. The revenues include: charges for services, contributions and federal and state reimbursements.

The Internal Service Fund is used only to collect, hold and pay out money for the District's employee group health insurance plan. Revenues come from the Board of Education's allocation of funds for the health insurance employee benefit, payroll deductions from employee's checks and checks brought in by retiree's that continue to stay on the plan.

Fiduciary Funds

The Trust Funds are funds given and designated by outside groups and people basically to be given as scholarships. These funds are not to be used to support the operations of the District.

The Agency Funds are funds belonging to parent groups, school employee groups and such groups as Athletic Boosters. The school merely holds these funds in a bank account for these groups and writes checks for these groups when directed by the group. These funds are not to be used to support the regular operations of the District.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The Waverly-Shell Rock Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District is reflected in its governmental funds. As the District completed the fiscal year, its governmental funds reported combined fund balances of \$12,617,164, which is much larger than last year's ending fund balance of \$1,932,613.

In fiscal year 2011 this will show a dramatic reversal as bond proceeds currently sitting in the Capital Projects Fund are spent for the new building.

Governmental Fund Highlights

- The District has been controlling the decline of its General Fund balance by greatly reducing travel and field trips, and reducing staff slightly where possible.
- Increased open enrollments into the District have helped maintain instructional programs with the increased number of students and tuition-in dollars.
- The District is using statewide sales, services and use tax dollars to add a gym and auditorium to the senior high school.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget after the required public notice and hearing. The budget for the current fiscal year is usually amended each April for revenues and expenditures that could not be anticipated the prior April. The budget amending process follows similar statutory procedures.

Actual revenues were less than budgeted amounts by \$2,731,256 primarily due to receiving less state revenues than budgeted. Actual expenses were less than budgeted amounts by \$13,266,640. This was due to the District's practice, as is in most Iowa school districts, to budget expenditures at or about the maximum authorized spending. Also, the budget was amended to reflect a \$15,736,770 increase primarily for new construction and flood damages. As a result, the Districts' certified budget should always exceed the actual expenditures for the year.

The District did not exceed the amended budget amounts in any of the four functions nor did it exceed its General Fund unspent authorized budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of fiscal year 2009, the District had invested more than \$22,000,000 (net of accumulated depreciation) in a broad range of capital assets including school buildings, athletic facilities, kitchens, computers and audio-visual equipment, administration building, transportation/storage facility, maintenance equipment, school buses and other vehicles, library holdings and textbooks. Total depreciation for the year exceeded \$520,000.

Long-term Debt

The District issued \$15,700,000 of general obligation school bonds for construction of a new building to house grades 5 through 8. The District makes principal and interest payments yearly on these bonds using property tax dollars obtained through a debt service levy specifically for these bonds.

The District owes \$5,080,000 of revenue bonds for the construction of an addition to the high school in October 2005. This remains to be paid over the next 6 years with proceeds from the statewide sales, services and use tax.

The District issued \$2,780,000 of revenue bonds for the high school addition. Interest only will be paid for 7 years and principal will be paid from fiscal year 2015 through fiscal year 2022.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Washington Irving School is to be replaced due to the flood ruining the building. FEMA and Iowa Homeland Security are promising the school significant financial help.
- Currently the district is spending \$16,500 to rent space in a mall/office complex to house the school for fifth and sixth graders.
- The Board of Education held a bond referendum on April 7, 2009 to build a new school for all district students in grade 5 through 8. This building will replace Washington Irving School that was totally ruined in the June 12th flood and it also will replace the junior high school that is over 82 years old.
- The District levied \$240,000 allowable growth for dropout prevention.
- The District's employee group health insurance did not increase. This was welcome news to the employees and the Board.
- State Foundation Aid dollars to the District decreased \$963,000 from fiscal year 2009 to fiscal year 2010. Property tax dollars for the General Fund increased \$129,000 from fiscal year 2009 to fiscal year 2010.
- The District began receiving payments in December 2005 for Instructional Support Income Surtax.
- The Greenview Alternative High School in Waverly is becoming a regional alternative high school. Many students come from a variety of neighboring school districts to Greenview. The tuition in, for these students, has been a real positive for the Waverly-Shell Rock Community School District.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers and creditors with a general overview of the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Dennis Stufflebeam, School Business Manager, Waverly-Shell Rock Community Schools, 1415 4th Avenue SW, Waverly, Iowa 50677.

Basic Financial Statements

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2010

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 15,275,739	18,038	15,293,777
Receivables:			
Property tax:			
Current year	31,962	-	31,962
Succeeding year	6,976,876	-	6,976,876
Succeeding year income surtax	617,567	-	617,567
Due from other governments	856,435	1,143	857,578
Interfund receivable	39,000	(39,000)	-
Other receivables	954	-	954
Inventories	-	52,172	52,172
Capital assets, net of accumulated depreciation	22,018,644	28,474	22,047,118
Total assets	45,817,177	60,827	45,878,004
Liabilities			
Accounts payable	1,428,455	-	1,428,455
Accrued salary and benefits	1,520,228	44,216	1,564,444
Accrued interest payable	249,235	-	249,235
Deferred revenue:			
Succeeding year property tax	6,976,876	-	6,976,876
Federal programs	218,100	-	218,100
Long term liabilities:			
Portion due within one year:			
Revenue bonds payable	545,000	-	545,000
General obligation bonds payable	430,000	-	430,000
Early retirement payable	171,328	-	171,328
Portion due after one year:			
Revenue bonds payable	4,535,000	-	4,535,000
General obligation bonds payable	15,270,000	-	15,270,000
Early retirement payable	109,283	-	109,283
Net OPEB liability	85,133	-	85,133
Total liabilities	31,538,638	44,216	31,582,854
Net assets			
Invested in capital assets, net of related debt	1,238,644	28,474	1,267,118
Restricted for:			
Management levy	133,231	-	133,231
Debt service	2,077	-	2,077
Physical plant and equipment levy	104,832	-	104,832
Capital projects	13,195,412	-	13,195,412
Health insurance	420,143	-	420,143
Categorical funding	352,814	-	352,814
Unrestricted	(1,168,614)	(11,863)	(1,180,477)
Total net assets	\$ 14,278,539	16,611	14,295,150

See notes to financial statements.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2010

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction	\$ 13,575,746	968,240	3,958,618	-	(8,648,888)	(8,648,888)
Support services:						
Student services	391,926	-	-	(391,926)	-	(391,926)
Instructional staff services	591,690	-	-	(591,690)	-	(591,690)
Administration services	1,828,342	-	-	(1,828,342)	-	(1,828,342)
Operation and maintenance of plant services	1,365,103	-	15,071	(1,350,032)	-	(1,350,032)
Transportation services	594,974	187,444	-	(407,530)	-	(407,530)
	4,772,035	187,444	15,071	(4,569,520)	-	(4,569,520)
Other expenditures:						
Facilities acquisition	124,074	-	-	3,036,962	-	3,036,962
Interest on long term debt	455,191	-	151	(455,040)	-	(455,040)
Long-term debt service	36,281	-	-	(36,281)	-	(36,281)
AEA flowthrough	834,410	-	834,410	-	-	-
Depreciation (unallocated)*	513,846	-	-	(513,846)	-	(513,846)
	1,963,802	-	834,561	2,031,795	-	2,031,795
Total governmental activities	20,311,583	1,155,684	4,808,250	(11,186,613)	-	(11,186,613)

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2010

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Charges for Service	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Business Type activities:						
Non-instructional programs:						
Nutrition services	1,058,263	604,048	313,496	-	(140,719)	(140,719)
Total	<u>\$ 21,369,846</u>	<u>1,759,732</u>	<u>5,121,746</u>	<u>(11,186,613)</u>	<u>(140,719)</u>	<u>(11,327,332)</u>
General Revenues:						
Property tax levied for:						
General purposes				\$ 5,246,968	-	5,246,968
Management fund				397,493	-	397,493
Debt service				182,839	-	182,839
Capital outlay				163,316	-	163,316
Income surtax				720,183	-	720,183
Statewide sales, services and use tax				1,131,635	-	1,131,635
Unrestricted state grants				6,357,634	-	6,357,634
Unrestricted investment earnings				6,537	-	6,537
Other				256,810	-	256,810
Total general revenues				<u>14,463,415</u>	<u>-</u>	<u>14,463,415</u>
Change in net assets				3,276,802	(140,719)	3,136,083
Net assets beginning of year (as restated)				<u>11,001,737</u>	<u>157,330</u>	<u>11,159,067</u>
Net assets end of year				<u>\$ 14,278,539</u>	<u>16,611</u>	<u>14,295,150</u>

* This amount excludes the depreciation that is included in the direct expense of the various programs.

See notes to financial statements.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2010

Total fund balances of governmental funds (Exhibit C)	\$ 12,617,164
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Income surtax receivable at June 30, 2010 is not recognized as income until received in the governmental funds, however it is shown as a revenue in the Statement of Activities.	617,567
Internal Service fund assets that are to be included with governmental funds.	420,143
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	22,018,644
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(249,235)
Long-term liabilities, including bonds payable, early retirement payments and other postemployment benefits are not due and payable in the current period and, therefore, are not reported as liabilities in governmental funds	(21,145,744)
Net assets of governmental activities (Exhibit A)	<u>\$ 14,278,539</u>

See notes to financial statements.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2010

	General	Student Activity	Management Levy	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Total
Revenues:							
Local sources:							
Local tax	\$ 5,967,151	-	397,493	163,316	1,131,635	182,839	7,842,434
Tuition	968,240	-	-	-	-	-	968,240
Other	773,816	910,116	909	13,740	166,860	14	1,865,455
State sources	8,319,268	-	299	123	-	137	8,319,827
Federal sources	1,598,254	-	-	-	-	-	1,598,254
Total revenues	17,626,729	910,116	398,701	177,179	1,298,495	182,990	20,594,210
Expenditures:							
Instruction	12,954,907	948,338	171,322	-	-	-	14,074,567
Support services:							
Student services	391,926	-	-	-	-	-	391,926
Instructional staff services	592,436	-	-	-	-	-	592,436
Administration services	1,689,175	-	145,520	-	-	-	1,834,695
Operation and maintenance of plant services	1,601,798	-	21,080	-	-	-	1,622,878
Transportation services	594,974	-	-	-	-	-	594,974
	4,870,309	-	166,600	-	-	-	5,036,909
Other expenditures							
Facilities acquisition	-	-	-	34,794	7,837,112	-	7,871,906
Principal on long-term debt	-	-	-	-	-	525,000	525,000
Interest on long-term debt	-	-	-	-	-	224,762	224,762
Long-term debt services	-	-	-	-	35,681	600	36,281
AEA flowthrough	834,410	-	-	-	-	-	834,410
	834,410	-	-	34,794	7,872,793	750,362	9,492,359
Total expenditures	18,659,626	948,338	337,922	34,794	7,872,793	750,362	28,603,835

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund Types

Year ended June 30, 2010

	General	Student Activity	Management Levy	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Total
Excess (Deficiency) of revenues over (under) expenditures	(1,032,897)	(38,222)	60,779	142,385	(6,574,298)	(567,372)	(8,009,625)
Other financing sources (uses):							
Insurance reimbursements for flood damage	203,739	-	-	-	2,790,437	-	2,994,176
Proceeds from sale of bonds	-	-	-	-	15,700,000	-	15,700,000
Operating transfers in	-	-	-	-	-	519,712	519,712
Operating transfers out	-	-	-	-	(519,712)	-	(519,712)
	203,739	-	-	-	17,970,725	519,712	18,694,176
Net change in fund balances	(829,158)	(38,222)	60,779	142,385	11,396,427	(47,660)	10,684,551
Fund balances beginning of year	(507,431)	275,812	353,063	(37,553)	1,798,985	49,737	1,932,613
Fund balances end of year	\$ (1,336,589)	237,590	413,842	104,832	13,195,412	2,077	12,617,164

See notes to financial statements.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2010

Net change in fund balances - total governmental funds (Exhibit E) \$ 10,684,551

**Amounts reported for governmental activities in the Statement of
Activities are different because:**

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 8,179,076	
Depreciation expense	<u>(513,846)</u>	7,665,230

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Repayments	525,000	
Issued	<u>(15,700,000)</u>	(15,175,000)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	171,328	
Other postemployment benefits	<u>(19,462)</u>	151,866

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. (230,429)

Internal Service Fund transactions are not reported in the General Fund as revenues and expenditures, however the General Fund is the source of these revenues and use of the expenditures. 180,584

Change in net assets of governmental activities (Exhibit B) \$ 3,276,802

See notes to financial statements.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

Year ended June 30, 2008

	Business Type	Governmental Activities
	School Nutrition	Internal Service
Assets		
Cash and pooled investments	\$ 18,038	420,143
Other receivables	1,143	-
Inventories	52,172	-
Capital assets, net of accumulated depreciation	28,474	-
Total assets	<u>99,827</u>	<u>420,143</u>
Liabilities		
Interfund payable	39,000	-
Accrued salary and benefits	44,216	-
Total liabilities	<u>83,216</u>	<u>-</u>
Net Assets		
Invested in capital assets, net of related debt	28,474	-
Restricted for health insurance	-	420,143
Unrestricted	(11,863)	-
Total net assets	<u>\$ 16,611</u>	<u>420,143</u>

See notes to financial statements.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds

Year ended June 30, 2010

	Business Type School Nutrition	Governmental Activities Internal Service
Operating revenue:		
Local sources:		
Charges for services	\$ 604,048	1,197,604
Operating expenses:		
Non-instructional programs:		
Food service operations:		
Salaries	463,076	-
Benefits	76,284	-
Supplies	512,477	-
Depreciation	6,426	-
	1,058,263	-
Internal service programs:		
Benefits	-	1,017,020
Total operating expenses	1,058,263	1,017,020
Operating income (loss)	(454,215)	180,584
Non-operating revenues:		
State sources	7,600	-
Federal sources	305,896	-
	313,496	-
Net change in fund net assets	(140,719)	180,584
Net assets beginning of year	157,330	239,559
Net assets end of year	\$ 16,611	420,143

See notes to financial statements.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2010

	Business Type	Governmental Activities
	School Nutrition	Internal Service
Cash flows from operating activities:		
Cash received from sale of services	\$ 623,861	1,197,604
Cash payments to employees for services	(506,933)	(1,017,020)
Cash payments to suppliers for goods or services	(446,843)	-
Net cash provided by (used in) operating activities	(329,915)	180,584
Cash flows from non-capital financing activities:		
State grants received	7,600	-
Federal grants received	224,287	-
Net cash provided by non-capital financing activities	231,887	-
Cash flows from capital financing activities		
Interfund loan from capital projects fund	39,000	-
Net (decrease) in cash and cash equivalents	(59,028)	180,584
Cash and cash equivalents beginning of year	77,066	239,559
Cash and cash equivalents end of year	\$ 18,038	420,143
Reconciliation of operating (loss) to net cash used in operating activities:		
Operating (loss)	\$ (454,215)	180,584
Adjustments to reconcile operating (loss) to net cash provided by (used in) operating activities:		
Depreciation	6,426	-
Commodities used	81,609	-
Decrease in other receivables	19,813	-
(Increase) in inventory	(15,975)	-
Increase in accrued payroll and benefits	32,427	-
	\$ (329,915)	180,584

Non-cash investing, capital and financing activities:

During the year ended June 30, 2010, the District received federal commodities valued at \$81,609.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2010

	Private Purpose Trusts	Agency Funds	Total
Assets			
Cash and pooled investments	\$ 103,183	51,858	155,041
Total assets	<u>103,183</u>	<u>51,858</u>	<u>155,041</u>
Liabilities			
Other payables	-	51,858	51,858
Net Assets			
Reserved for scholarships	75,753	-	75,753
Unreserved, undesignated	<u>27,430</u>	<u>-</u>	<u>27,430</u>
Total net assets	<u>\$ 103,183</u>	<u>-</u>	<u>103,183</u>

See notes to financial statements.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2010

	Private Purpose Trusts
Additions:	
Local sources:	
Total additions	<u>61,202</u>
Deductions:	
Support services:	
Supplies	61,683
Scholarships	<u>2,000</u>
Total deductions	<u>63,683</u>
Change in net assets	(2,481)
Net assets beginning of year	<u>105,664</u>
Net assets end of year	<u>\$ 103,183</u>

See notes to financial statements.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2010

(1) Summary of Significant Accounting Policies

Waverly-Shell Rock Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the Cities of Waverly and Shell Rock, Iowa, and agricultural territory in Black Hawk, Bremer and Butler Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Waverly-Shell Rock Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Waverly-Shell Rock Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Bremer County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The District has elected to present all funds as major funds for clarity of presentation.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Physical Plant and Equipment Levy Fund is utilized to account for the maintenance and equipping of the District's facilities.

The Student Activity Fund is used to account for extra curricular activities conducted on behalf of the students.

The Management Levy Fund is utilized for the payment of insurance, unemployment and early retirement benefits.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District's major proprietary funds are the Enterprise, School Nutrition Fund and Internal Service Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Internal Service Fund is used to account for the District's medical insurance plan.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

Proprietary funds of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year become effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2009.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years. No intangible assets were noted that exceeded the threshold amount.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	1,000
Intangible assets	150,000

Capital assets we depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for employees with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year-end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied as well as unspent federal program revenues.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2010.

Long-Term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, expenditures did not exceed the amended amounts budgeted in any of the four functions. The District did not exceed its General Fund unspent authorized budget.

(2) Cash and Pooled Investments

The District's deposits at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2010.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2010 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 499,142	40,000	-	539,142
Construction in progress	-	7,619,393	-	7,619,393
	<u>499,142</u>	<u>7,659,393</u>	<u>-</u>	<u>8,158,535</u>
Capital assets being depreciated:				
Buildings	19,519,877	-	-	19,519,877
Improvements other than buildings	410,437	88,439	-	498,876
Furniture and Equipment	<u>2,225,671</u>	<u>431,244</u>	<u>-</u>	<u>2,656,915</u>
Total capital assets being depreciated	<u>22,155,985</u>	<u>519,683</u>	<u>-</u>	<u>22,675,668</u>
Less accumulated depreciation for:				
Buildings	6,110,819	359,157	-	6,469,976
Improvements other than buildings	326,690	13,968	-	340,658
Furniture and Equipment	<u>1,864,204</u>	<u>140,721</u>	<u>-</u>	<u>2,004,925</u>
Total accumulated depreciation	<u>8,301,713</u>	<u>513,846</u>	<u>-</u>	<u>8,815,559</u>
Total capital assets being depreciated, net	<u>13,854,272</u>	<u>5,837</u>	<u>-</u>	<u>13,860,109</u>
Governmental activities, capital assets, net	<u>\$ 14,353,414</u>	<u>7,665,230</u>	<u>-</u>	<u>22,018,644</u>
Business type activities:				
Furniture and Equipment	\$ 234,456	-	-	234,456
Less accumulated depreciation	<u>199,556</u>	<u>6,426</u>	<u>-</u>	<u>205,982</u>
	<u>\$ 34,900</u>	<u>(6,426)</u>	<u>-</u>	<u>28,474</u>
Depreciation expense was charged to the following functions:				
Governmental activities:				
Unallocated				<u>\$ 513,846</u>
Business type activities:				
Food service operations				<u>\$ 6,426</u>

(4) Long-Term Liabilities

A summary of changes in long-term debt for the year ended June 30, 2010 is as follows:

	Balance Beginning Year	Additions	Reductions	Balance End of Year	Due Within One Year
Net OPEB Liability	\$ 65,671	19,462	-	85,133	-
General Obligation Bonds	-	15,700,000	-	15,700,000	430,000
Early Retirement	451,939	-	171,328	280,611	171,328
Revenue Bonds	<u>5,605,000</u>	<u>-</u>	<u>525,000</u>	<u>5,080,000</u>	<u>545,000</u>
Total	<u>\$6,122,610</u>	<u>15,719,462</u>	<u>696,328</u>	<u>21,145,744</u>	<u>1,146,328</u>

(5) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.30% of their annual salary and the District is required to contribute 6.65% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$726,681, \$650,558 and \$597,385 respectively, equal to the required contributions for each year.

(6) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$834,410 for year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(7) Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Eligible employees must be at least age fifty-five and employees must have completed fifteen years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is equal to the employee's salary calculated by using the current year regular salary schedule, less the current year base pay. Early retirement benefits paid during the year ended June 30, 2010 totaled \$171,328.

(8) Risk Management

Waverly-Shell Rock Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Contingencies

The District is currently involved in legal action in regards to a civil rights complaint involving a student. Per communication with legal counsel, the Iowa Civil Rights Commission has administratively closed the file. There is the possibility of a review request, however, it is unlikely to result in a judgment against the District.

(10) Revenue Bonds Payable

Details of the District's June 30, 2010 revenue bond are as follows:

Year Ending June 30,	Bond Issue of May 1, 2006			
	Interest Rates	Interest	Principal	Total
2011	3.56%	\$ 81,880	545,000	626,880
2012	3.56	62,478	565,000	627,478
2013	3.56	42,364	585,000	627,364
2014	3.56	21,538	605,000	626,538
Total		<u>\$208,260</u>	<u>2,300,000</u>	<u>2,508,260</u>

Bond Issue of September 1, 2007

<u>Year Ending June 30,</u>	<u>Interest Rates</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2011	4.50%	\$ 125,100	-	125,100
2012	4.50	125,100	-	125,100
2013	4.50	125,100	-	125,100
2014	4.50	125,100	-	125,100
2015	4.50	125,100	400,000	525,100
2016-2020	4.50	367,650	1,780,000	2,147,650
2021-2022	4.50	<u>40,050</u>	<u>600,000</u>	<u>640,050</u>
Total		<u>\$1,033,200</u>	<u>2,780,000</u>	<u>3,813,200</u>

The District has pledged future statewide sales, services and use tax revenues to repay the bonds issued in May, 2006 and September, 2007. The bonds were issued for the purpose of financing a portion of the costs of a new school. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2022. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 100 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$6,321,460. For the current year, \$750,670 of principal and interest was paid on the bonds and total statewide sales, service and use tax revenues were \$1,131,635.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) \$678,000 of the proceeds from the issuance of the revenue bonds shall be deposited to a Reserve Account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the Sinking Account. The balance of the proceeds shall be deposited to the Project Account. That account currently has a balance of \$768,360.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a Revenue Account.
- c) Monies in the Revenue Account shall be disbursed to make deposits into a Sinking Account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the Revenue Account after the required transfer to the Sinking Account may be transferred to the Project Account to be used for any lawful purpose.

The District is in compliance with all of these items.

(11) Commitments

In April 2009, the voters of the District approved the issuance of \$18,925,000 of general obligation bonds for the construction of a new fifth through eighth grade attendance center.

(12) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical benefits for retirees and their spouses. There are 156 active and 29 retired members in the plan. Participants must be age 55 or older at retirement. All are included in this valuation.

The medical insurance coverage is provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/insurance benefit as active employees, which result in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefits plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 70,634
Interest on net OPEB Obligation	1,005
Adjustment to annual required contribution	-
Annual OPEB Cost	<u>71,639</u>
Contributions made	<u>(52,177)</u>
Increase in net OPEB obligation	19,462
Net OPEB obligation beginning of year	<u>65,671</u>
Net OPEB obligation end of year	<u>\$ 85,133</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$71,639	72.80%	\$85,133

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2008 through June 30, 2010, the actuarial accrued liability was \$540,796, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$540,796. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$11,120,000 and the ratio of the UAAL to covered payroll was 4.9%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information, in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2008 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions include a 2.5% discount rate based on the District's funding policy. The annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. A zero employee turnover rate is assumed.

No benefit continuation is assumed past the age of 65. Due to the actuarial cost method selected, benefits are not related to salary levels.

(13) Financial Condition

The General Fund had a deficit balance of \$1,338,223 at June 30, 2010.

(14) General Obligation Bonded Indebtedness

The voters of the District approved the issuance of \$15.7 million in general obligation bonds for the construction of a new school building housing grades 5 through 8. This will replace the Irving building which was ruined in the 2008 flood and the junior high building which was over 80 years old.

Year Ending June 30,	Bond Issue of February 1, 2010			
	Rates	Principal	Interest	Total
2011	3.00 %	\$ 430,000	742,358	1,172,358
2012	3.00	640,000	543,868	1,183,869
2013	3.00	655,000	524,669	1,179,669
2014	3.00	665,000	505,019	1,170,019
2015	3.00	680,000	485,069	1,165,069
2016-2020	3.00-3.50	3,745,000	2,089,381	5,834,381
2021-2025	3.50-3.75	4,520,000	1,386,306	5,906,306
2026-2029	3.875-4.125	4,365,000	450,750	4,815,750
Total		<u>\$15,700,000</u>	<u>6,727,421</u>	<u>22,427,421</u>

(15) Commitment

At June 30, 2010, the District had entered into contracts for \$21,829,040 for the construction of a new school building to house grades 5 through 8. The following amounts are as of June 30, 2010.

Total Contracts	\$21,829,040
Total Completed	5,216,507
Retainage	260,825
Current Payable	1,072,418
To be completed	16,612,533

Required Supplementary Information

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2010

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts Original	Final	Final to Actual Variance
Revenues						
Local sources	\$ 10,676,129	604,048	11,280,177	12,301,443	12,301,443	(1,021,266)
State sources	8,319,827	7,600	8,327,427	11,136,567	11,136,567	(2,809,140)
Federal sources	1,598,254	305,896	1,904,150	805,000	805,000	1,099,150
Total revenues	20,594,210	917,544	21,511,754	24,243,010	24,243,010	(2,731,256)
Expenditures/Expenses						
Instruction	14,074,567	-	14,074,567	15,749,383	16,846,153	2,771,586
Support services	5,036,909	-	5,036,909	5,459,405	5,499,405	462,496
Non-instructional programs	-	1,058,263	1,058,263	1,182,000	1,182,000	123,737
Other expenditures	9,492,359	-	9,492,359	4,801,180	19,401,180	9,908,821
Total expenditures/expenses	28,603,835	1,058,263	29,662,098	27,191,968	42,928,738	13,266,640
Excess (deficiency) of revenues over (under) expenditures/expenses	(8,009,625)	(140,719)	(8,150,344)	(2,948,958)	(18,685,728)	10,535,384
Other financing sources (uses)	18,694,176	-	18,694,176	-	-	18,694,176
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	10,684,551	(140,719)	10,543,832	(2,948,958)	(18,685,728)	29,229,560
Balance beginning of year	1,932,613	157,330	2,089,943	4,014,206	4,014,206	(1,924,263)
Balance end of year	\$ 12,617,164	16,611	12,633,775	1,065,248	(14,671,522)	27,305,297

See accompanying independent auditor's report.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Note to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2010

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$15,736,770.

During the year ended June 30, 2010, expenditures did not exceed the amended amounts budgeted in any of the four functions. The District did not exceed the General Fund unspent authorized budget.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)

Required Supplementary Information

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
Jul 1, 2009	\$0	\$541	\$541	0.0%	\$10,095	5.4%
Jul 1, 2010	\$0	\$541	\$541	0.0%	\$11,120	4.9%

See Note 12 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

Other Supplementary Information

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2010

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Vocal Music	11,328	9,125	14,675	5,778
JH Variety Vocal	4,268	8,795	8,322	4,741
Instrumental Music	(66)	9,842	6,706	3,070
Elementary Band	2,210	2,323	1,623	2,910
Miscellaneous Sports	263	29,290	28,731	822
JH Track	86	933	1,097	(78)
Cross Country	1,144	6,390	6,484	1,050
Boys Basketball	1,117	21,941	25,734	(2,676)
JH Boys Basketball	40	1,665	1,218	487
Football	(3,028)	34,656	31,631	(3)
JH Football	(6,955)	1,760	2,494	(7,689)
Boys Soccer	(1,483)	13,515	12,530	(498)
Baseball	(597)	32,513	34,074	(2,158)
Boys Track	(670)	11,624	11,874	(920)
Boys Tennis	(1)	431	245	185
Boys Golf	(4)	2,067	1,175	888
Wrestling	(4,985)	23,500	21,302	(2,787)
Weightlifting	(9)	3,352	1,409	1,934
JH Wrestling	55	600	540	115
Girls Basketball	81	6,699	8,783	(2,003)
JH Girls Basketball	129	1,485	965	649
Girls Volleyball	241	21,202	20,438	1,005
JH Girls Volleyball	45	2,205	2,182	68
Girls Soccer	774	21,079	18,932	2,921
Girls Softball	7,181	27,873	38,388	(3,334)
Girls Track	308	9,613	11,673	(1,752)
Girls Tennis	(566)	2,660	717	1,377
Girls Golf	21	750	825	(54)
Dance Team	4,120	10,810	15,315	(385)
Masquers	3,498	9,411	4,714	8,195
Art Club	2,829	2,124	663	4,290
Boys W Club	799	-	100	699
Science Club	6,644	2,010	267	8,387
Energy Team	273	-	-	273
National Honor Society	1,754	4,809	5,398	1,165
Publications	1,724	-	-	1,724
Student Senate	2,641	3,864	4,393	2,112
Student Lounge	2,320	1,725	4,045	-
SADD	414	148	304	258
Class of 2009	233	150	-	383
Class of 2010	471	370	2,671	(1,830)
Class of 2011	(3,329)	5,447	1,622	496
Class of 2008	781	-	132	649
Varsity Club	70	1,456	1,465	61
Annual	19,949	26,928	26,755	20,122
Guidance Transcripts	3,367	448	-	3,815

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2010

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
French Club	577	1,857	1,944	490
Spanish Club Student Accounts	7,525	8,457	7,306	8,676
Spanish Club Operating Accounts	6,659	3,744	4,049	6,354
FFA	1,413	41,200	42,379	234
German Club	400	1,212	421	1,191
DECA	6,137	11,080	11,887	5,330
String Music	2,674	43,828	45,699	803
HS Football Cheerleaders	2,266	5,397	6,856	807
Band Uniform Cleaning	698	2,490	2,050	1,138
HS Basketball Cheerleaders	(279)	3,756	4,157	(680)
HS Wrestling Cheerleaders	251	1,374	1,216	409
JH Cheerleaders	812	582	1,013	381
JH Student Council	872	5,762	7,801	(1,167)
JH Activity	21,937	36,044	57,610	371
JH Annual	3,868	1,260	3,631	1,497
JH Cookie Sales	1,056	625	1,175	506
Trapshooting	1,308	-	120	1,188
Junior High Band Rental & Repair	1,266	1,981	1,744	1,503
Irving Account	(49)	2,933	3,160	(276)
Buxton TAG	842	956	497	1,301
Shell Rock Activity Fund	6,005	11,602	10,955	6,652
Carey Account	1,824	994	2,728	90
Carey Second Grade - Mrs. Howell	50	-	-	50
West Cedar Account	499	1,212	1,417	294
MOC	315	60	193	182
Elementary Chorus - Hansen	(726)	1,981	548	707
Athletic Director	2,829	6,511	15,814	(6,474)
Wizard of Oz	2,282	106	376	2,012
German Club Obligations	2,908	1,661	1,935	2,634
Other Activities	14,017	7,525	13,613	7,929
Pictures	2,459	1,286	(46)	3,791
Christmas Card	4,541	1,324	2,423	3,442
Change Fund	(2,172)	6,408	6,893	(2,657)
Books	6,255	69,856	72,783	3,328
Activity Tickets	6,160	18,507	19,024	5,643
School Lunch	4,520	55,241	55,203	4,558
Transportation pop	979	709	-	1,688
W-SR Wilderness	5,605	3,101	4,994	3,712
Instrumental Repair	160	870	367	663
HS Strings Fundraising	675	323	139	859
PE Stores	2,011	134	1,039	1,106
String Music Stores	(511)	-	42	(553)
Band Stores - High School	269	-	925	(656)
Calculators - HS Math Dept	205	3,279	3,225	259
SH Band Fundraiser	1,409	17,083	19,273	(781)
Home Ec Stores	152	191	1,706	(1,363)

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2010

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Ind Tech Stores - HS	5,874	5,740	7,410	4,204
HS Pop	5,003	5,043	8,404	1,642
High School Library	1,126	867	766	1,227
JH Courtesy	112	350	382	80
JH Band Stores	229	765	1,146	(152)
JH Tech Stores	(16)	287	71	200
JH Library	142	441	384	199
Shop Group Shell Rock	169	-	-	169
JH Industrial Technology	-	20,000	-	20,000
JH Chess Club	2	-	-	2
JH Video Club	60	-	-	60
Shell Rock Pop	777	636	596	817
Entrepreneurship Class	572	11,485	11,316	741
Recycling - Carlson	935	70	585	420
Bus Buddies	946	-	558	388
IT Vehicle Fund	117	-	-	117
JH Home Economics	6,099	10,139	9,028	7,210
Southeast Library	96	20	-	116
Carey Library	171	399	362	208
Irving Library	252	348	371	229
Shell Rock Library	20	158	134	44
JH Art	2,018	1,289	1,670	1,637
West Cedar Library	296	92	166	222
Southeast School	6,304	5,502	4,700	7,106
Business Office - Miscellaneous	1,667	6,031	8,953	(1,255)
TAG Award	1,383	595	302	1,676
JH Plus Program	(17)	-	405	(422)
B&K Homeroom	304	-	18	286
HS Technology Grants	431	500	1,662	(731)
Irving Transportation Donation	3,381	780	643	3,518
Mr. Winter's Account	2,777	8,619	5,177	6,219
HS Character Counts	330	-	-	330
HS Vocal Music Fund Raising	702	-	-	702
HS Vocal Music	2,493	-	-	2,493
HS Vocal Music Cheese and Sausage	5,002	8,575	12,697	880
HS Vocal Music Account	4,135	9,144	3,173	10,106
HS Vocal Music Trips	-	3,442	-	3,442
HS Musical	1,635	11,654	8,079	5,210
HS Vocal Music Uniform Account	2,673	2,156	1,552	3,277
High School Jazz	778	4,040	2,522	2,296
String Rental	-	48	75	(27)
Transportation - West Cedar	4,021	3,624	3,968	3,677
Advisor/Advisor	917	-	512	405
Elem Art Contest	784	200	40	944
Elem Art	115	-	-	115
Mrs. Ribich Class Project	39	-	-	39

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2010

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Elem & JH String Rentals	1,936	7,469	6,391	3,014
Elem & JH String Stores	(127)	1,678	1,269	282
JH Tech Center	109	-	36	73
JH Math	223	-	78	145
PLUS Program Math Competition	799	1,295	1,101	993
SH Transportation Monies	467	-	164	303
HS Donation (Bock)	4,358	-	4,358	-
HS Front Door Donations	500	-	-	500
Prairie Project	8,847	1,182	924	9,105
Team Sigma	4,201	1,120	2,014	3,307
Team GR8	540	679	607	612
Dream Team	1,989	1,392	2,251	1,130
Team Axis	1,030	-	39	991
JH Teachers Associates	(17)	-	24	(41)
JH SLI	368	-	387	(19)
HS Advance Placement	3,070	3,850	3,477	3,443
JH Juice	218	99	-	317
Bowling Account	9	1,818	1,750	77
National French Contest	-	4,405	2,746	1,659
Total	275,812	910,116	948,338	237,590

See accompanying independent auditor's report.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICTCombining Statement of Fiduciary Net Assets
Private Purpose Trusts

Year ended June 30, 2010

	Carey Parents	William Wood Scholarship	Jr High Jamison	W. Cedar Parents	Dierks Scholarship	Kenneth Stumme Scholarship	HS Math/ Science	Elementary PE	DECA Student Account	Irving L Effle
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Assets										
Cash and pooled investments	7,342	1,500	64	7,190	50,832	23,421	371	130	47	52
	<u>7,342</u>	<u>1,500</u>	<u>64</u>	<u>7,190</u>	<u>50,832</u>	<u>23,421</u>	<u>371</u>	<u>130</u>	<u>47</u>	<u>52</u>
Net Assets										
Reserved for scholarships	-	1,500	-	-	50,832	23,421	-	-	-	-
Unreserved	<u>7,342</u>	<u>-</u>	<u>64</u>	<u>7,190</u>	<u>-</u>	<u>-</u>	<u>371</u>	<u>130</u>	<u>47</u>	<u>52</u>
	<u>7,342</u>	<u>1,500</u>	<u>64</u>	<u>7,190</u>	<u>50,832</u>	<u>23,421</u>	<u>371</u>	<u>130</u>	<u>47</u>	<u>52</u>

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Combining Statement of Fiduciary Net Assets
Private Purpose Trusts

Year ended June 30, 2010

	HS Special Education	Jr High Rohne	Shell Rock Rozen	Irving Crandall	Shell Rock Huberg	Shell Rock Greenlee	Junior High Dueker	Joan Greenlee Wal-Mart	Jr High Boerigter	HS Inclusion
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Assets										
Cash and pooled investments	1,857	66	316	164	344	570	277	124	62	(171)
	<u>1,857</u>	<u>66</u>	<u>316</u>	<u>164</u>	<u>344</u>	<u>570</u>	<u>277</u>	<u>124</u>	<u>62</u>	<u>(171)</u>
Net Assets										
Reserved for scholarships	-	-	-	-	-	-	-	-	-	-
Unreserved	1,857	66	316	164	344	570	277	124	62	(171)
	<u>1,857</u>	<u>66</u>	<u>316</u>	<u>164</u>	<u>344</u>	<u>570</u>	<u>277</u>	<u>124</u>	<u>62</u>	<u>(171)</u>

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Combining Statement of Fiduciary Net Assets
Private Purpose Trusts

Year ended June 30, 2010

	HS Art Kiln	Shell Rock Jessica Johnson	Junior High Harrell	West Cedar Cook	Donation West Cedar	Pepsi Athletics	Knights of Columbus	Southeast Parents	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Assets									
Cash and pooled investments	403	75	417	(136)	92	1,000	560	6,214	103,183
	<u>403</u>	<u>75</u>	<u>417</u>	<u>(136)</u>	<u>92</u>	<u>1,000</u>	<u>560</u>	<u>6,214</u>	<u>103,183</u>
Net Assets									
Reserved for scholarships	-	-	-	-	-	-	-	-	75,753
Unreserved	403	75	417	(136)	92	1,000	560	6,214	27,430
	<u>403</u>	<u>75</u>	<u>417</u>	<u>(136)</u>	<u>92</u>	<u>1,000</u>	<u>560</u>	<u>6,214</u>	<u>103,183</u>

See accompanying independent auditor's report.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Combining Statement of Changes in Fiduciary Net Assets
Private Purpose Trust

Year ended June 30, 2010

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
Carey Parents	\$ 9,319	18,799	20,776	7,342
William Wood Scholarship	1,465	35	-	1,500
Jr High Jamison	2	62	-	64
W Cedar Parents	10,576	11,944	15,330	7,190
Dierks Scholarship	51,282	1,550	2,000	50,832
Kenneth Stumme Scholarship	22,898	523	-	23,421
HS Math/Science	431	-	60	371
Elementary PE	130	-	-	130
DECA Student Account	(106)	11,275	11,122	47
Irving - L Effle	(11)	63	-	52
HS Special Education	1,953	359	455	1,857
Jr High Rohne	4	62	-	66
Shell Rock Rozen	253	63	-	316
Irving - Crandall	101	63	-	164
Shell Rock Huberg	282	62	-	344
Shell Rock Greenlee	508	62	-	570
Junior High Dueker	214	63	-	277
Joan Greelee Walmart	124	-	-	124
Junior High Boerigter	-	62	-	62
HS Inclusion	35	4	210	(171)
HS Art Kiln	403	-	-	403
Shell Rock Jessica Johnson	75	-	-	75
Junior High Harrell	355	62	-	417
West Cedar - Cook	1,068	-	1,204	(136)
Knights of Columbus	675	-	115	560
Donation West Cedar	-	2,300	2,208	92
Pepsi Athletics	-	1,000	-	1,000
Southeast Parents	3,628	12,789	10,203	6,214
	<u>\$ 105,664</u>	<u>61,202</u>	<u>63,683</u>	<u>103,183</u>

See accompanying independent auditor's report.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Fiduciary Assets and Liabilities - Agency Fund

Year ended June 30, 2010

<u>Account</u>	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance End of Year</u>
"Catch The Spirit" Foundation	\$ 1,012	8,081	9,093	-
HS Benevolent	223	150	159	214
Irving Social Fund	65	350	350	65
High School Food Drive	400	-	50	350
Maintenance Courtesy	17	19	36	-
Transportation Courtesy	-	131	112	19
Irving Parent Account	8,588	18,004	23,301	3,291
Junior High Parent Account	8,165	16,829	19,893	5,101
Secretary Courtesy	12	112	74	50
Concessions - Athletic Boosters	19,000	113,536	110,270	22,266
Membership - Athletic Boosters	10,835	48,731	59,207	359
Athletic Boosters - Facility/Equipment	2,800	50,907	52,746	961
Athletic Boosters - Addl Events	18,815	21,015	22,630	17,200
Athletic Booster Resale	4,429	15,775	20,204	-
Athletic Boosters Budgeted	1,347	550	1,000	897
Athletic Boosters Wishlist	113	-	-	113
Athletic Boosters Operational	100	-	-	100
Employee Wellness	826	34	-	860
CPR/AED Fund	12	-	-	12
	<u>\$ 76,759</u>	<u>294,224</u>	<u>319,125</u>	<u>51,858</u>

See accompanying independent auditor's report.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Seven Years

	Modified Accrual Basis						
	2010	2009	2008	2007	2006	2005	2004
Revenues:							
Local sources:							
Local tax	7,842,434	7,670,444	7,251,512	7,048,847	6,376,517	5,495,828	5,065,151
Tuition	968,240	807,288	799,477	942,258	909,463	783,604	709,076
Other	1,865,455	1,463,780	1,751,178	1,809,680	1,825,532	1,501,415	1,265,994
State sources	8,319,827	9,264,724	8,592,584	8,162,461	7,780,538	7,529,667	7,174,426
Federal sources	1,598,254	516,035	393,148	417,334	449,712	328,804	464,678
Total	<u>20,594,210</u>	<u>19,722,271</u>	<u>18,787,899</u>	<u>18,380,580</u>	<u>17,341,762</u>	<u>15,639,318</u>	<u>14,679,325</u>
Expenditures:							
Instruction	14,074,567	13,650,217	12,106,920	11,343,858	11,075,422	10,234,785	9,190,226
Support services:							
Student	391,926	373,380	348,133	342,361	344,924	334,727	323,479
Instructional staff	592,436	609,775	597,333	563,623	545,859	562,566	581,294
Administration	1,834,695	1,535,002	1,459,945	1,374,027	1,323,877	1,397,024	1,392,269
Operation and maintenance of plant	1,622,878	3,519,618	1,674,624	1,361,334	1,451,174	1,170,050	1,077,131
Transportation	594,974	824,863	702,297	663,258	549,698	519,403	547,643
Other expenditures:							
Facilities acquisition	7,871,906	800,562	2,640,810	4,686,356	2,643,509	455,770	356,576
Debt Service:							
Principal	525,000	910,000	880,000	855,000	470,000	460,000	455,000
Interest and service charges	261,043	254,238	259,853	179,660	21,697	42,743	57,221
AEA flowthrough	834,410	688,570	633,205	596,701	546,568	544,101	541,453
Total	<u>28,603,835</u>	<u>23,166,225</u>	<u>21,303,120</u>	<u>21,966,178</u>	<u>18,972,728</u>	<u>15,721,169</u>	<u>14,522,292</u>

See accompanying independent auditor's report.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect:			
U.S. Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY10	\$ 11,509
Food Distribution (non-cash)	10.555	FY10	81,609
National School Lunch Program	10.555	FY10	<u>193,231</u>
			<u>286,349</u>
U.S. Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	FY10	151,974
Title I Neglected and Delinquent Children	84.012	FY10	12,378
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY10	33,252
Improving Teacher Quality States Grants	84.367	FY10	11,810
Grants for Assessments and Related Activities	84.369	FY10	12,864
Vocational Education Basic Grants to States	84.048	FY10	12,535
ARRA - State Fiscal Stabilization Fund (SFSF) Education State Grants, Recovery Act	84.394	FY10	875,611
Area Education Agency 267			
Special Education Grants to States (IDEA Part B)	84.027	FY10	216,475
ARRA - Special Education Grants to States, Recovery Act	84.391	FY10	<u>98,276</u>
Total			<u>\$ 1,711,524</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Waverly-Shell Rock Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

BRUCE D. FRINK

Certified Public Accountant

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Bank Loan Assistance

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Education of the
Waverly-Shell Rock Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Waverly-Shell Rock Community School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 26, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Waverly-Shell Rock Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Waverly-Shell Rock Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Waverly-Shell Rock Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-10 and II-B-10 to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in Part II of the accompany Schedule of Findings and Questioned Costs as item II-C-10 to be a significant deficiency.

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Compliance and Other Matters

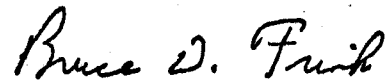
As part of obtaining reasonable assurance about whether Waverly-Shell Rock Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Waverly-Shell Rock Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Waverly-Shell Rock Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Waverly-Shell Rock Community School District and other parties to whom Waverly-Shell Rock Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Waverly-Shell Rock Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



BRUCE D. FRINK
Certified Public Accountant

March 26, 2011

BRUCE D. FRINK

Certified Public Accountant

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Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

To the Board of Education of
Waverly-Shell Rock Community School District:

Compliance

We have audited the compliance of Waverly-Shell Rock Community School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2010. Waverly-Shell Rock Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Waverly-Shell Rock Community School District's management. Our responsibility is to express an opinion on Waverly-Shell Rock Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Waverly-Shell Rock Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Waverly-Shell Rock Community School District's compliance with those requirements.

In our opinion Waverly-Shell Rock Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control over Compliance

The management of Waverly-Shell Rock Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Waverly-Shell Rock Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Waverly-Shell Rock Community School District's internal control over compliance.

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Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-10 to be a material weakness.

Waverly-Shell Rock Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Waverly-Shell Rock Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Waverly-Shell Rock Community School District and other parties to whom Waverly-Shell Rock Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Bruce D. Frink

BRUCE D. FRINK
Certified Public Accountant

March 26, 2011

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Part I: Summary of the Independent Auditor's Results

- (a) Unqualified opinions were issued on the financial statements.
- (b) A significant deficiency and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A material weakness in internal control over major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major program is as follows:
 - CFDA Number 84.394 - ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act

Title I Clustered Programs:

 - CFDA Number 84.027: Special Education - Grants to States (IDEA Part B)
 - CFDA Number 84.391: Special Education Grants to States, Recovery Act
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Waverly-Shell Rock Community School District did not qualify as a low-risk auditee.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

II-A-10 Segregation of Duties - One important aspect of the internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Although the District does a fine job of dividing incompatible duties among existing personnel, the District Secretary still has the ability to override the system without the knowledge of any other personnel.

Recommendation - We recommend that the District continue to segregate incompatible duties as much as possible, reviewing them annually to achieve the maximum segregation possible within the existing personnel. We realize that the District Secretary has large number of required duties under the Code of Iowa which makes the situation difficult. We also realize that the District has a limited budget within which to hire additional personnel.

Response - We will continue to review and implement new procedures, when possible, to achieve the maximum segregation with existing personnel.

Conclusion - Response accepted.

II-B-10 Auditor Drafting of the Financial Statements and Related Footnote Disclosures

Comment - As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. SAS 115, an auditing standard from the American Institute of Certified Public Accountants, requires auditors to communicate this situation as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of the District's statements and footnotes, and the responsibility of the auditor to determine the fairness of the presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do this with organizations of your size. However, based on this auditing standard, it is our responsibility to inform you that this deficiency could result in a misstatement to the financial statements that could have been prevented or detected by the District's management. As in prior years, we have instructed management to review a draft of the auditor prepared financial statements in detail for their accuracy, we have answered any questions they might have, and encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in your financial statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.

Recommendation - It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response - We feel our review of the draft financials is adequate for us to accept this risk.

Conclusion - Response accepted.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Part II: Findings Related to the Financial Statements:
(continued)

II-C-10 Financial Reporting

Comment - During the audit, we identified material amounts of payables in the Capital Projects Fund which were not recorded in the District's financial statements. Adjustments were subsequently made by the District to properly include these amounts in the financial statements.

Recommendation - The District should implement procedures to ensure all payables are identified and included in the District's financial statements.

Response - We will double check these in the future to avoid missing any payables.

Conclusion - Response accepted.

Part III: Findings For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES:

CFDA Number 84.394 - ARRA State Fiscal Stabilization Fund Education (SFSF) - State Grants, Recovery Act

Federal Award Year: 2010

US Department of Education

Passed through Iowa Department of Education

CFDA Number 84.027: Special Education - Grants to States (IDEA Part B)

CFDA Number 84.391: Special Education Grants to States, Recovery Act

Federal Award Year: 2010

US Department of Education

Passed through Iowa Department of Education

III-A-10 Segregation of Duties - The District did not properly segregate custody, record keeping and reconciling functions for funds, including those related to Federal programs.

Recommendation - We recommend that the District continue to segregate incompatible duties as much as possible, reviewing them annually to achieve the maximum segregation possible within the existing personnel. We realize that the District Secretary has large number of required duties under the Code of Iowa which makes the situation difficult. We also realize that the District has a limited budget within which to hire additional personnel.

Response and Corrective Action Planned - We will continue to review and implement new procedures, when possible, to achieve the maximum segregation with existing personnel.

Conclusion - Response accepted.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Part IV: Other Findings Related to Required Statutory Reporting:

- IV-A-10 Certified Budget - Expenditures for the year ended June 30, 2010, did not exceed the amended certified budget amounts in any of the four function. The District did not exceed the unspent authorized budget.
- IV-B-10 Questionable Expenditures - We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- IV-C-10 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- IV-D-10 Business Transactions - No business transactions between the District and District officials or employees were noted.
- IV-E-10 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- IV-F-10 Board Minutes - We noted no transactions requiring Board approval which had not been approved by the Board.
- IV-G-10 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.
- IV-H-10 Certified Annual Report - The Certified Annual Report was not filed with the Department of Education in a timely manner.
- Recommendation - We recommend that the District take steps to ensure timely filing in future years.
- Response - We will endeavor to do so.
- Conclusion - Response accepted.
- IV-I-10 Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.
- IV-J-10 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- IV-K-10 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

WAVERLY-SHELL ROCK COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Part IV: Other Findings Related to Required Statutory Reporting:
(continued)

IV-L-10 Statewide Sales and Services Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales, services and use tax are as follows:

Beginning balance		\$	-
Statewide sales, services and use tax revenue			1,131,635
Expenditures/transfers out:			
School infrastructure:			
Other improvements	\$611,923		
Debt service for school infrastructure:			
Revenue debt	<u>519,712</u>		<u>1,131,635</u>
Ending balance		\$	<u>-</u>

The statewide sales, services and use tax revenue received during the year ended June 30, 2010 is equivalent to a reduction in the following levies:

	<u>Per \$1,000 Of Taxable Valuation</u>	<u>Property Tax Dollars</u>
Debt service	\$ 2.03	\$1,131,635

IV-M-10 Deficit Balance - Several student activity accounts had deficit balances at June 30, 2010. The General Fund had a deficit balance of \$1,338,223 at June 30, 2010.

Recommendation - The District should continue to investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial condition.

Response - The District is continuing to investigate alternatives to eliminate deficits in the General Fund and student activity accounts at the end of the fiscal year. Another midyear state aid cut made our task even more difficult.

Conclusion - Response accepted.